

**BEAVER COUNTY SPECIAL SERVICE DISTRICT #2**

**A COMPONENT UNIT OF BEAVER COUNTY, UTAH**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2006**

**WITH REPORT OF**

**CERTIFIED PUBLIC ACCOUNTANTS**



**HINTONBURDICK**

**HINTON BURDICK HALL & SPILKER PLLC**

**CPAs & ADVISORS**

**BEAVER COUNTY SPECIAL SERVICE DISTRICT #2  
A COMPONENT UNIT OF BEAVER COUNTY, UTAH**

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**FINANCIAL SECTION**



# HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC

CPAs & ADVISORS

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The Board of Directors  
Beaver County Special Service District #2  
Milford, UT 84751

We have compiled the accompanying basic financial statements and the required supplementary information, which is presented only for supplementary analysis purposes, of Beaver County Special Service District #2, a component unit of Beaver County, as of December 31, 2006, and for the year then ended, as listed in the table of contents, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants.

A compilation is limited to presenting in the form of financial statements and supplementary schedules information that is the representation of management. We have not audited or reviewed the accompanying basic financial statements and supplementary schedules and, accordingly, do not express an opinion, or any other form of assurance, on them.

*Hinton, Burdick, Hall & Spilker, PLLC*

HINTON, BURDICK, HALL & SPILKER, PLLC  
February 15, 2007

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of the BEAVER COUNTY SPECIAL SERVICE DISTRICT #2 (District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended DECEMBER 31, 2006. Please read it in conjunction with the accompanying basic financial statements.

### **FINANCIAL HIGHLIGHTS**

- Total assets exceed total liabilities (net assets) by \$ 147,902 at the close of the fiscal year.
- Total net assets decreased by \$46,034.
- Total long-term debt decreased by a net of \$17,000.
- The District received no federal and state grant funds.
- The District purchased a used fire truck for 25,500.
- Total revenues from all sources were \$79,610 and the total cost of all District programs was \$125,644.
- Total revenue received in the General Fund was \$35,119 less than the final budget and expenditures were \$12,550 more than the final budget.
- At the end of the current fiscal year, unreserved fund balance for the General Fund was \$30,677 or 21% of total General Fund expenditures.

### **USING THIS ANNUAL REPORT**

This annual report consists of a series of financial statements. The three components of the financial statements are: (1) Government-wide financial statements which include the Statement of Net Assets and the Statement of Activities. These statements provide information about the activities of the District as a whole. (2) Fund financial statements tell how these services were financed in the short term as well as what remains for future spending. Fund financial statements also report the District's operations in more detail than the government-wide statements. (3) Notes to the financial statements.

#### **Reporting the District as a Whole**

##### **The Statement of Net Assets and the Statement of Activities (Government-wide)**

A frequently asked question regarding the District's financial health is whether the year's activities contributed positively to the overall financial well-being. The Statement of Net Assets and the Statement of Activities report information about the District as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenues and expenses are taken into account regardless of when cash is received or paid.

These two statements report the District's net assets and changes in them. Net assets, the difference between assets and liabilities, are one way to measure the District's financial health, or financial position. Over time, increases or decreases in net assets are an indicator of whether the financial health is improving or deteriorating. However, it is important to consider other non-financial factors such as changes in the District's property tax base or jurisdiction, the availability of capital projects, and condition of the District's assets to accurately assess the overall health of the District.

The Statement of Net Assets and the Statement of Activities, present information about the following:

- Government activities – All of the District's basic services are considered to be governmental activities, including public safety and interest on long-term debt. Property taxes, intergovernmental revenues and charges for services finance most of these activities.
- Proprietary activities/Business type activities – The District currently does not maintain any proprietary activities; all activities are accounted for as governmental activities.

## Reporting the District's Most Significant Funds

### Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds—not the District as a whole. The District's major fund uses the accounting approaches as explained below.

- Governmental funds – All of the District's basic services are reported in governmental funds. Governmental funds focus on how resources flow in and out with the balances remaining at year-end that are available for spending. These funds are reported using an accounting method called the modified accrual accounting method, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District's general government operations and the basic services it provides. Government fund information shows whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. We describe the relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds in a reconciliation included with the Basic Financial Statements and in footnote 2.

## GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of the District's financial position. The District's combined assets exceed liabilities by \$147,902 as of December 31, 2006 as shown on the following condensed statement of net assets.

### Statement of Net Assets

	12/31/2005	12/31/2006
Current and other assets	\$ 109,705	\$ 44,139
Capital assets	513,209	515,225
Total assets	<u>622,914</u>	<u>559,364</u>
Long-term obligations	382,000	365,000
Other liabilities	46,978	46,462
Total liabilities	<u>428,978</u>	<u>411,462</u>
Net assets:		
Invested in capital assets, net of related debt	98,209	117,225
Restricted	49	-
Unrestricted	95,678	30,677
Total net assets	<u>\$ 193,936</u>	<u>\$ 147,902</u>

## Governmental Activities

The cost of all Governmental activities this year was \$125,644. None of this cost was paid for by those who directly benefited from the programs, \$79,610 was subsidized by property tax and other miscellaneous revenues. Overall governmental program revenues, including intergovernmental aid and fees for services were -\$10,186. General taxes and investment earnings totaled \$90,245.

The District's programs include: Public Safety. Each programs' net cost (total cost less revenues generated by the activities) is presented below. The net cost shows the extent to which the District's general taxes support each of the District's programs.

### Changes in Net Assets

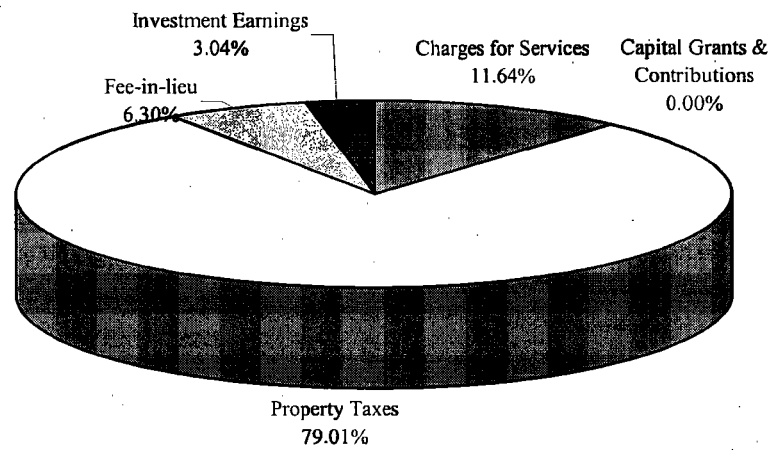
	<u>12/31/2005</u>	<u>12/31/2006</u>
Revenues:		
Program revenues:		
Charges for services	\$ 28,320	\$ (10,635)
Capital grants and contributions	44,000	-
General revenues:		
Property taxes	65,062	72,181
Fee-in-lieu	3,824	5,757
Miscellaneous revenues	6,614	9,528
Unrestricted investment earnings	3,742	2,779
Total revenues	<u>151,562</u>	<u>79,610</u>
Expenses:		
Public safety	102,220	115,458
Interest on long-term debt	11,000	10,186
Total expenses	<u>113,220</u>	<u>125,644</u>
Increase in net assets	38,342	(46,034)
Net assets, beginning	<u>155,594</u>	<u>193,936</u>
Net assets, ending	<u>\$ 193,936</u>	<u>\$ 147,902</u>

Total resources available during the year to finance governmental operations were \$273,546 consisting of Net assets at January 1, 2003 of \$278,361, program revenues of \$193,936 and General Revenues of \$79,610. Total Governmental Activities during the year were \$-136,279; thus Governmental Net Assets were decreased by \$46,034 to \$147,902.



The following graph provides a breakdown of revenues by source for all government activities.

Revenue By Source - Governmental Activities



## **General Fund Budgetary Highlights**

The final appropriations for the General Fund at year-end were \$12,550 less than actual expenditures. Actual revenues were less than the final budget by \$35,119. Budget amendments and supplemental appropriations were not made during the year to prevent budget overruns and to increase appropriations for unanticipated expenditures after adoption of the original budget.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

The capital assets of the District are those assets that are used in performance of District functions. Capital Assets include land, buildings, equipment, and emergency vehicles. At the end of fiscal year 2006, net capital assets of the government activities totaled \$515,225. Depreciation on capital assets is recognized in the Government-Wide financial statements. (See note 4 to the financial statements.)

### **Debt**

At year-end, the District had \$398,000 in governmental type debt which is secured by the buildings and equipment of the District. During the current fiscal year, the District's total debt decreased by a net of \$17,000 (See note 5 to the financial statements for detailed descriptions.)

## **NEXT YEAR'S BUDGET AND ECONOMIC FACTORS**

In considering the District Budget for fiscal year 2007, the District Board and management estimated the budget for operating revenues and expenditures will be similar to this year.

## **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

This financial report is designed to provide a general overview of the District's finances for all those with an interest in the government's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Nedra Kennedy, Treasurer of the BEAVER COUNTY SPECIAL SERVICE DISTRICT #2 at P.O. Box 125, Milford, UT 84751 or call 435-387-2711.

**BASIC FINANCIAL STATEMENTS**

**BEAVER COUNTY SPECIAL SERVICE DISTRICT #2**  
**(A Component Unit of Beaver County, Utah)**  
**Statement of Net Assets**  
**DECEMBER 31, 2006**

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	<u><b>Governmental Activities</b></u>
<b>Assets</b>	
Cash and cash equivalents	\$ 42,921
Receivables (net of allowance)	1,218
Noncurrent assets:	
Restricted cash and cash equivalents	-
Capital assets (net of accumulated depreciation):	
Land	20,000
Buildings and improvements	387,425
Machinery and equipment	107,800
Total assets	<u>559,364</u>
<b>Liabilities</b>	
Accounts payable	2,251
Interest payable	11,211
Noncurrent liabilities:	
Due within one year	33,000
Due in more than one year	365,000
Total liabilities	<u>411,462</u>
<b>Net Assets</b>	
Invested in capital assets, net of related debt	117,225
Restricted for capital outlay	-
Unrestricted	30,677
Total Net Assets	<u><u>\$ 147,902</u></u>

The accompanying notes are an integral part of the financial statements  
See accountants' compilation report

**BEAVER COUNTY SPECIAL SERVICE DISTRICT #2**  
**(A Component Unit of Beaver County, Utah)**

**Statement of Activities**

**For the Year Ended December 31, 2006**

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets
	Expenses	Charges for Services	Capital Grants & Contributions	
Governmental activities:				
Public safety-fire	\$ 115,458	\$ (10,635)	\$ -	\$ (126,093)
Interest on long-term debt	10,186			(10,186)
Total governmental activities	<u>125,644</u>	<u>(10,635)</u>	<u>-</u>	<u>(136,279)</u>
General Revenues:				
Taxes:				
Property taxes				72,181
Fee-in-lieu				5,757
Miscellaneous income				9,528
Unrestricted investment earnings				2,779
Total general revenues				<u>90,245</u>
Change in net assets				<u>(46,034)</u>
Net assets - beginning				193,936
Net assets - ending				<u>\$ 147,902</u>

The accompanying notes are an integral part of the financial statements  
See accountants' compilation report

**BEAVER COUNTY SPECIAL SERVICE DISTRICT #2**  
**(A Component Unit of Beaver County, Utah)**  
**Balance Sheet**  
**Governmental Funds**  
**DECEMBER 31, 2006**

	General Fund	Total Governmental Funds
<b>Assets:</b>		
Cash and Investments	\$ 42,921	\$ 42,921
Accounts receivable	1,218	1,218
Due from other governments	-	-
Restricted cash	-	-
<b>Total Assets</b>	<u>\$ 44,139</u>	<u>\$ 44,139</u>
<b>Liabilities and Fund Balances:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ 2,251	\$ 2,251
<b>Total Liabilities</b>	<u>2,251</u>	<u>2,251</u>
<b>Fund Balances:</b>		
Reserved for:		
Reserved for construction project	-	-
Unreserved:		
Designated for capital projects	-	-
Unreserved	41,888	41,888
<b>Total fund balances</b>	<u>41,888</u>	41,888
<b>Total Liabilities and fund balance</b>	<u>\$ 44,139</u>	

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	515,225
Some liabilities, including bonds payable and capital leases, are not due and payable in the current period and therefore are not reported in the funds.	(409,211)
Net assets of governmental units	<u>\$ 147,902</u>

The accompanying notes are an integral part of the financial statements  
See accountants' compilation report

**BEAVER COUNTY SPECIAL SERVICE DISTRICT #2**  
**(A Component Unit of Beaver County, Utah)**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended December 31, 2006**

	General Fund	Total Governmental Funds
<b>Revenues:</b>		
Current property taxes	\$ 67,249	\$ 67,249
Delinquent property taxes	4,932	4,932
Fee-in-lieu taxes	5,757	5,757
Incident income	6,536	6,536
Grant revenue	-	-
Other revenues	9,528	9,528
Interest revenue	2,779	2,779
<b>Total Revenues</b>	<b>96,781</b>	<b>96,781</b>
<b>Expenditures:</b>		
Current:		
Administration	36,239	36,239
Fire protection and emergency services	47,496	47,496
Debt service	26,975	26,975
Capital outlay	33,740	33,740
<b>Total Expenditures</b>	<b>144,450</b>	<b>144,450</b>
Excess of Revenues Over/(Under) Expenditures	(47,669)	(47,669)
<b>Other Financing Sources (Uses):</b>		
Bond proceeds	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	(47,669)	(47,669)
Fund Balance - Beginning of Year	89,557	89,557
<b>Fund Balance - End of Year</b>	<b>\$ 41,888</b>	<b>\$ 41,888</b>

The accompanying notes are an integral part of the financial statements  
See accountants' compilation report

**BEAVER COUNTY SPECIAL SERVICE DISTRICT #2**  
**(A Component Unit of Beaver County, Utah)**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Fund**  
**To the Statement of Activities**  
**DECEMBER 31, 2006**

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Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental fund	\$ (47,669)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.	2,017
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	17,000
Issuance of long-term debt provides current financial resources in the governmental funds but increases long-term liabilities in the statement of net assets.	-
Long-term accounts receivable are not reported as a revenue in the fund financial statements, while it is recorded in the statement of activities	(17,171)
Accrued interest for long-term debt is not reported as an expenditure in the governmental funds, but it is recorded in the statement of activities	(211)
Change in net assets of governmental activities	<u>\$ (46,034)</u>

The accompanying notes are an integral part of the financial statements  
See accountants' compilation report



**BEAVER COUNTY SPECIAL SERVICE DISTRICT #2**  
**(A Component Unit of Beaver County, Utah)**  
**Notes to the Financial Statements**  
**DECEMBER 31, 2006**

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**NOTE 1. Significant Accounting Policies**

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**General**

The accounting and reporting policies of the Beaver County Special Service District #2 (The District) conform with Generally Accepted Accounting Principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**Reporting Entity**

The District, a component unit of Beaver County was established March 4, 1976 by the Beaver County Commission. The District provides fire protection services for the communities of Milford and Minersville and their surrounding areas. The Accompanying financial statements include all activities of the District. The District has one component unit, The Municipal Building Authority of Beaver County #2, which was created in 2004 for the issuance of the 2004 Lease Revenue Bonds. That component unit is blended in these financial statements.

**Government-Wide Financial Statements**

The government-wide financial statements (i.e. the statement of net assets and the statement of activities) report information about the District, the primary government, as a whole.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. This is the same approach used in the preparation of proprietary fund financial statements but differs from the manner in which governmental fund financial statements are prepared. Therefore, governmental fund financial statements include a reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds.

**BEAVER COUNTY SPECIAL SERVICE DISTRICT #2**  
**(A Component Unit of Beaver County, Utah)**  
**Notes to the Financial Statements**  
**DECEMBER 31, 2006**

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**NOTE 1. Significant Accounting Policies, Continued**

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The use of financial resources to acquire capital assets is capitalized as assets in the government-wide financial statements, rather than as an expenditure. Proceeds from long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long term debt of the District are reported as a reduction of a related liability, rather than as expenditures in the government-wide financial statements.

**Governmental fund financial statements** are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized in the accounting period in which they become both measurable and available. "Measurable" means that the amounts can be reasonably determined within the current period. "Available" means that the amounts are collectible within the current period, or soon enough thereafter (within 60 days) to be used to pay liabilities of the current period. Expenditures are recognized in the accounting period in which the liability is incurred, except for interest on long-term debt, which is recognized when due.

The **General Fund** is used to account for all financial resources applicable to the general operations of the District.

**Budgets and Budgetary Accounting**

Annual budgets are prepared and adopted by resolution by the Board on or before December 15th for the following calendar year in accordance with State law. Prior to adoption of the budget a public hearing is conducted to obtain taxpayer input. The budget includes proposed expenditures and the proposed sources of financing for such expenditures and is adopted on a basis consistent with generally accepted accounting principals using the modified accrual basis of accounting. Budgets are adopted and control of budget appropriations are exercised under State law, at the department level. Budget amendments are required to increase expenditure budgets. During the current fiscal year there were no amendments to the budget.

**Capital Assets and Depreciation**

General capital assets are those assets not specifically related to activities reported in proprietary funds. These assets are reported in the governmental activities column of the government-wide statement of net assets.

**BEAVER COUNTY SPECIAL SERVICE DISTRICT #2**  
**(A Component Unit of Beaver County, Utah)**  
**Notes to the Financial Statements**  
**DECEMBER 31, 2006**

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**NOTE 1. Significant Accounting Policies, Continued**

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The accounting and reporting treatment applied to the capital assets associated with a fund are determined by its measurement focus. General capital assets are long-lived assets of the District as a whole. When purchased, such assets are recorded as expenditures in the governmental funds and capitalized (recorded and accounted for) in the Statement of Net Assets. Infrastructure such as streets, traffic signals and signs are capitalized. The District has no infrastructure assets. The valuation bases for general capital assets are historical cost, or where historical cost is not available, estimated historical cost based on replacement cost. Depreciation of capital assets is computed and recorded by the straight-line method. Estimated useful lives of the various classes of depreciable capital assets are as follows: buildings, 30 years; equipment, 5 to 10 years.

**Net Assets**

Net assets is the difference between assets and liabilities. Net assets invested in capital assets, net of related debt are capital assets, less accumulated depreciation and any outstanding debt related to the acquisition, construction or improvement of those assets. Net assets are reported as restricted when there are legal limitations imposed on their use by District legislation or external restrictions by other governments, creditors or grantors.

**Encumbrances**

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed by the District.

**Compensated Absences**

There are no accruals for accumulated sick and vacation as the District currently does not have any full-time employees.

**Inventory**

The costs of governmental fund inventories are recorded as expenditures when purchased. Also, the District's inventory of materials and supplies is deemed to be immaterial; thus, no provision for inventory has been made in these financial statements.

**Risk Management**

The District maintains insurance for general liability, auto liability, collision, property damage, comprehensive fire & theft, and fidelity bonds.

**BEAVER COUNTY SPECIAL SERVICE DISTRICT #2**  
**(A Component Unit of Beaver County, Utah)**  
**Notes to the Financial Statements**  
**DECEMBER 31, 2006**

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**NOTE 1. Significant Accounting Policies, Continued**

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**Property Taxes**

Property taxes are collected by the Beaver County Treasurer and remitted to the District in periodic installments. Taxes are levied and are due and payable on November 1 and delinquent after November 30 of each year at which time they become liens if not paid.

**Estimates**

Generally accepted accounting principles require management to make estimates and assumptions that affect assets and liabilities, contingent assets and liabilities, and revenues and expenditures. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

The District's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

**Restricted Assets**

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, and then unrestricted resources as they are needed.

**Receivables**

All trade accounts receivable in the general fund are shown net of an allowance for uncollectibles. Due to the nature of the accounts receivable in governmental activities, management does not consider an allowance for uncollectible accounts receivable necessary or material. Therefore, no allowance for uncollectible accounts receivable is presented.

**BEAVER COUNTY SPECIAL SERVICE DISTRICT #2**  
**(A Component Unit of Beaver County, Utah)**  
**Notes to the Financial Statements**  
**DECEMBER 31, 2006**

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**NOTE 2.      Reconciliation of Government-Wide and Fund Financial Statements**

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**Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net assets:**

The governmental fund balance sheet includes a reconciliation between total governmental fund balances and net assets of governmental activities as reported in the government-wide statement of net assets. This difference primarily results from the long-term economic focus of the statement of net assets versus the current financial resources focus of the governmental fund balance sheets. One element of that reconciliation explains that "long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds."

**Explanation of differences between governmental fund statement of revenues, expenditures, and changes in fund balance and the government-wide statement of activities:**

The governmental fund statement of revenues, expenditures, and changes in fund balance includes a reconciliation between net changes in fund balances-total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. The first element of this reconciliation states that capital outlays are reported in the governmental funds as expenditures while the government-wide statement of activities allocates these costs over the useful lives of the assets as depreciation. While shown in the reconciliation as the net difference, the elements of this difference are as follows:

Capital Outlay	\$ 33,740
Depreciation Expense	<u>(31,723)</u>
Net adjustment to increase net changes in fund balance – total governmental funds to arrive at changes in net assets of governmental funds	  <u>\$ 2,017</u>

**BEAVER COUNTY SPECIAL SERVICE DISTRICT #2**  
**(A Component Unit of Beaver County, Utah)**  
**Notes to the Financial Statements**  
**DECEMBER 31, 2006**

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**NOTE 3.      Deposits and Investments**

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Deposits and investments of the District at December 31, 2006 consisted of the following:

Deposits	
Cash in bank	\$      30,381
Investments	
State treasurer's investment pool	12,539
	<u>\$      42,920</u>

A reconciliation of cash and investments as shown on the Statement of Net Assets is as follows:

Unrestricted cash and cash equivalents	\$      42,920
Restricted cash and cash equivalents	-
	<u>\$      42,920</u>

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the state and review the rules adopted under the authority of the State of Utah Money Management Act that relate to the deposit and investment of public funds.

The District follows the requirements of the Utah Money Management Act (*Utah code*, Section 51, chapter 7) in handling its depository and investment transactions. The Act requires the depositing of District funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and which has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

**Deposits**

*Custodial Credit Risk*

For deposits this is the risk that in the event of a bank failure, the District's deposit may not be returned to it. The District does not have a formal policy for custodial credit risk. As of December 31, 2006, none of the District's bank balance of \$32,490 was exposed to custodial credit risk because it was uninsured and uncollateralized.

**BEAVER COUNTY SPECIAL SERVICE DISTRICT #2**  
**(A Component Unit of Beaver County, Utah)**  
**Notes to the Financial Statements**  
**DECEMBER 31, 2006**

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**NOTE 3.      Deposits and Investments, Continued**

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**Investments**

The Money Management Act defines the types of securities authorized as appropriate investment for the District and the conditions for making investment transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with issuers of the investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's, bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other evidence of indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurer's Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, *Utah Code Annotated, 1953*, as amended.

The Act established the Money Management Council which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionally in any realized gain or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares.

**BEAVER COUNTY SPECIAL SERVICE DISTRICT #2**  
**(A Component Unit of Beaver County, Utah)**  
**Notes to the Financial Statements**  
**DECEMBER 31, 2006**

**Note 3. Deposits and Investments, Continued**

As of December 31, 2006 the District had the following investments and maturities:

Investment Type	Fair Value	Investments Maturities (in Years)			
		Less than 1	1-5	6-10	More than 10
Utah State Public Treasurer's Investment Fund	\$ 12,539	\$ 12,539	\$ -	\$ -	\$ -
Total Fair Value	<u>\$ 12,539</u>	<u>\$ 12,539</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Interest rate risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested.

**Credit risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing its exposure to credit risk is to comply with the State's Money Management Act.

At December 31, 2006 the District had the following investments and quality ratings:

Investment Type	Fair Value	Quality Ratings			
		AAA	AA	A	Unrated
Utah State Public Treasurer's Investment Fund	\$ 12,539	\$ -	\$ -	\$ -	\$ 12,539
Total Fair Value	<u>\$ 12,539</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,539</u>



**BEAVER COUNTY SPECIAL SERVICE DISTRICT #2**  
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**Notes to the Financial Statements**  
**DECEMBER 31, 2006**

**NOTE 4. Capital Assets**

Capital asset activity for the year ended December 31, 2006 is as follows;

**Governmental Activities:**

	<b>Balance 12/31/2005</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 12/31/2006</b>
Capital assets, not being depreciated:				
Land	\$ 20,000	\$ -	\$ -	\$ 20,000
Total capital assets, not being depreciated	20,000	-	-	20,000
Capital assets, being depreciated:				
Buildings and Improvements	453,207	-	-	453,207
Machinery, Equipment & Apparel	270,441	33,740	-	304,181
Total capital assets, being depreciated	723,648	33,740	-	757,388
Less accumulated depreciation for:				
Buildings and Improvements	(51,697)	(14,085)		(65,782)
Machinery, Equipment & Apparel	(178,743)	(17,638)	-	(196,381)
Total accumulated depreciation	(230,440)	(31,723)	-	(262,163)
Total capital assets, being depreciated, net	493,208	2,017	-	495,225
Governmental activities capital assets, net	\$ 513,208	\$ 2,017	\$ -	\$ 515,225

The entire \$31,723 of depreciation was charged to the governmental activity, public safety.

**BEAVER COUNTY SPECIAL SERVICE DISTRICT #2**  
**(A Component Unit of Beaver County, Utah)**  
**Notes to the Financial Statements**  
**DECEMBER 31, 2006**

**NOTE 5. Long-term Debt**

The following is a summary of changes in long-term debt for the year ended December 31, 2006

	Balance 12/31/2005	Additions	Retirements	Balance 12/31/2006	Current Portion
Revenue bonds payable	\$ 415,000	\$ -	\$ 17,000	\$ 398,000	\$ 33,000
Total long-term liabilities	\$ 415,000	\$ -	\$ 17,000	\$ 398,000	\$ 33,000

Bonds Payable at December 31, 2006 consists of the following issue:

**Revenue Bonds**

Lease Revenue Bond Series 2004 due in annual principal and interest installments ranging from \$26,125 to \$49,661 bearing interest at 2.50%, maturing August 1, 2024.

\$ 398,000

Total bonds payable

\$ 398,000

The annual requirements to amortize bonds payable at December 31, 2006 are as follows:

Fiscal Year Ended Dec 31	2004 Lease Revenue Bond	
	Principal	Interest
2007	\$ 17,000	\$ 9,975
2008	17,000	9,550
2009	18,000	9,125
2010	18,000	8,700
2011	19,000	8,250
2012	19,000	7,800
2013	20,000	7,325
2014	20,000	6,850
2015	21,000	6,350
2016-2020	111,000	23,925
2021-2022	102,000	9,625
Total	<u>\$ 382,000</u>	<u>\$ 107,475</u>

**BEAVER COUNTY SPECIAL SERVICE DISTRICT #2**  
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**Notes to the Financial Statements**  
**DECEMBER 31, 2006**

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**NOTE 6.      Utah State Retirement Plans**

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Beaver County Special Service District #2 does not participate in the Utah State Retirement Plan or any other retirement plan.

**REQUIRED SUPPLEMENTARY INFORMATION**

**BEAVER COUNTY SPECIAL SERVICE DISTRICT #2**  
**(A Component Unit of Beaver County, Utah)**  
**General Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances**  
**Budget to Actual**  
**For the Year Ended December 31, 2006**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Current property taxes	\$ 73,291	\$ 73,291	\$ 67,249	\$ (6,042)
Delinquent property taxes	10,000	10,000	4,932	(5,068)
Fee-in-lieu taxes	6,000	6,000	5,757	(243)
Incident Income	15,000	15,000	6,536	(8,464)
Grants	2,000	2,000	-	(2,000)
Other revenues	22,609	22,609	9,528	(13,081)
Interest revenue	3,000	3,000	2,779	(221)
<b>Total Revenues</b>	<b>131,900</b>	<b>131,900</b>	<b>96,781</b>	<b>(35,119)</b>
<b>Expenditures:</b>				
Current:				
Administration	37,500	37,500	36,239	1,261
Fire protection and emergency services	59,400	59,400	47,496	11,904
Debt service	-	-	26,975	(26,975)
Capital outlay	35,000	35,000	33,740	1,260
<b>Total Expenditures</b>	<b>131,900</b>	<b>131,900</b>	<b>144,450</b>	<b>(12,550)</b>
Excess of Revenues Over/(Under) Expenditures	-	-	(47,669)	(47,669)
<b>Other Financing Sources (Uses):</b>				
Debt Proceeds	-	-	-	-
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Financing Uses	-	-	(47,669)	(47,669)
Fund Balance - Beginning of Year	89,557	89,557	89,557	-
<b>Fund Balance - End of Year</b>	<b>\$ 89,557</b>	<b>\$ 89,557</b>	<b>\$ 41,888</b>	<b>\$ (47,669)</b>

The accompanying notes are an integral part of the financial statements.  
See accountant's report